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Education-Driven Entrepreneurship as an Economic Empowerment Model in India

Sagartirtha Chakraborty[1], Dr. Suresh Kumar Nath[2]

ABSTRACT

The National Education Policy 2020 (NEP-2020) has made efforts to change the face of India's educational landscape by proposing entrepreneurship in the curriculum. The introduction of flexible credit frameworks, multidisciplinary knowledge-based learning, and experiential methodologies highlight the entrepreneurial prospects of the policy. Evidence from institutional initiatives under NEP-2020, such as Institution Innovation Councils, IDEA labs etc., shows that there is a 30 percent growth in enrolment into innovation programmes. In this regard, the Micro, Small, and Medium Enterprises (MSME) sector, comprising 57.7 million enterprises, can become one of the prime avenues to expand and transform the entrepreneurial prospect of NEP-2020 into economic activities. Therefore, we propose an integrated 'Education-Entrepreneurship-Empowerment' framework through this study, which can explain how cognitive transformation through educational reforms, institutional support mechanisms, and enterprise absorption capacity creates a virtuous loop to induce economic empowerment. Of course, misalignment between educational reform and entrepreneurial ecosystems risks the creation of skilled unemployment and low-productivity informality. Thus, we recommend establishment of co-managed District-level Education Enterprise Councils, mandatory placements of NEP graduates within their district MSMEs, and the launch of equity-driven strategies for strengthening education-enterprise coordination to foster economic empowerment in India.

Keywords: NEP-2020, MSME, Entrepreneurship, Empowerment, Education, Growth India.

1. Ph.D. Research Scholar & Corresponding Author Department of Economics Cotton University, Assam Email: sagar.t.chakraborty@gmail.com ORCID ID: https://orcid.org/0009-0008-2930-2420
2. Associate Professor Department of Economics Cotton University, Assam Email: sureshkumarnath3@gmail.com ORCID ID: https://orcid.org/0009-0007-1283-8598

INTRODUCTION

India has emerged as the centre of innovation, entrepreneurship as well as industrial growth in the world. However, it is at a decisive point. As 12 million people are estimated to be joining the workforce of the nation every year, the need to create jobs has become paramount (WEF, 2017). India, in this context, can make entrepreneurial growth in its Micro, Small, and Medium Enterprises (MSME) sector as a foundation of its empowerment strategy. The MSME sector, with its benchmark of traditional handicrafts to the latest technology-focused firms has been estimated to contribute about 30 percent of the GDP in India and is projected to contribute 45 percent of national exports. It is estimated that the sector employs 110 million people, which makes it act as a cushion against unemployment, especially in semi-urban and rural regions (Ministry of MSME, 2025). But we must note that in the modern world, entrepreneurial growth is connected to a knowledge-based economy, in which 'entrepreneurship' is no longer considered a profession but indeed a source of structural change (Gao, 2024). Nevertheless, the Indian educational system has been widely criticised as being rote-oriented, with little industry exposure and inadequate focus on creativity and problem-solving (Ashokkumar et al., 2025). It is in these contexts that the adoption of National Education Policy 2020 (NEP-2020) has presented an orientation shift in the Indian educational system that fosters experience-based learning, critical thinking, and creative problem-solving through interdisciplinary approaches. Shifting the focus off of rote learning and examination-driven pedagogy, the holistic thinking behind the policy in terms of skill-based entrepreneurial education, practical application, competency-based learning, and flexible curricular choices has the potential to transform the human capital base in India (MHRD, 2021). But in order to achieve sustainable economic growth in developing economies such as India, entrepreneurial orientations must be cultivated by educating youths and at the same time by empowering the MSME ecosystem, which has the potential to translate aspirations into economic operations. In this transformation process, entrepreneurs tend to follow the norms of Schumpeterian model of innovation, in which, they are described as agents of 'creative destruction.' They encourage the creation of entirely new products for markets by replacing the existing outdated products through breakthrough inventions (Schumpeter, 2021).

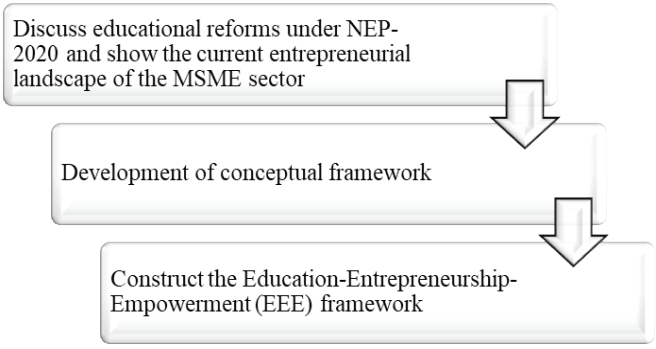
Though NEP-2020 is highly transformative in intentions, the existing research has primarily been aligned with innovation in pedagogy, the restructuring of the institution, and learning outcomes. On the same note, MSME-based research is also dedicated to examining credit access, regulatory barriers, and competitiveness. The lack of an integrated analytic framework that would bring these two spectrums together forms a

gap in understanding how educational reforms can be utilised to enhance entrepreneurship for economic empowerment. Our objective is to bridge this gap with the proposal of an integrated economic empowerment model, serving to link educational reforms under the NEP-2020 with the entrepreneurship growth potential of MSMEs. In simple words, we discuss how transforming India's educational landscape through fostering MSMEs' entrepreneurial potential under the NEP-2020 could generate employment while advancing inclusive growth.

METHODOLOGY

We employ a qualitative, exploratory research design. Data is assembled from the Ministry of Education, Ministry of MSME, World Bank, and the agencies of the United Nations; as well as pertinent peer-reviewed journals and news articles.

Figure 1: Analytical framework of the study



Source: Authors' construction

The analysis has been made in three phases. First and foremost, we talk about the educational reforms, implemented under the NEP-2020 and provide an overview of the MSME sector. Second, we develop our conceptual framework by taking into account human capital theory, entrepreneurship theory, and institutional economy to specify causal linkages and inter-dependencies among educational reforms and entrepreneurship growth. Finally, these relationships are formalised into constructing the Education-Entrepreneurship-Empowerment (EEE) framework, which is the prime aspect of our study. While we do not undertake econometric testing, we try to offer a theoretically grounded and empirically contextualised model, which could be treated as a foundation for future quantitative and longitudinal research.

Harnessing the Potential of NEP-2020 in Fostering Entrepreneurship

NEP-2020 is the most promising educational reform in India since independence, with an emphasis on capability building and opportunity

recognition. The 'Curriculum and Credit Framework for Undergraduate Programmes' stipulated by the policy has institutionalised flexible multi-entry and exit routes. More than 150 higher educational institutions in India now offer multiple entries and exits (Magazine & Sasi, 2025). This allows students to freely choose their own educational paths by eliminating strict limitations through a range of educational options, such as practical learning, internships, and vocational training, to adapt themselves in accordance with market realities. It assists them to gain the necessary skill set through a smooth transition in their courses and enhance employability. Prabhu (2024) reports that 91 percent of employers nowadays prefer hiring candidates who have at least some sort of work experience, which includes internship programmes as well. Another important point to note is the focus of NEP-2020 on multidisciplinary curricula. Alakaleek et al. (2023) also elaborate on the ways in which NEP-2020 is promoting creativity and problem-solving capacity through the incorporation of technical expertise based on social understanding. This helps in opportunity recognition and innovation.

In addition, NEP-2020 recommends a common 'National Credit Framework' to help integrate general, vocational, and experiential learning with vertical and horizontal mobility in schools and higher educational institutions. It aims to introduce apprenticeship-based provision, which allows work-based learning to be part of qualification (UGC, 2025). Five years after the introduction of NEP-2020, vocational education got considerable momentum. At present, there are 43 courses offered for grades 11-12 and 22 skill-based ones for grades 9-10 by the Central Board of Secondary Education (CBSE). These are courses related to data science, agri-business, and artificial intelligence (AI). Besides, NEP-2020 is blurring the perceived line between classroom experiences and real-world entrepreneurship by redesigning formal qualifications to include apprenticeships, internships, community engagement, and work-based learning. This is to make sure that students grow their practical skills alongside theoretical knowledge that forms grounds toward self-employability, which is vital in ensuring growth of entrepreneurship (Kumar, 2024). To make sure that what students learn in school corresponds with job requirements, the 'National Skills Qualifications Framework' is also implemented, showcasing the entrepreneurial mindset growth potential of NEP-2020 (Joyce & Jacob, 2025). In this regard, the 'National Apprenticeship Training Scheme' (NATS 2.0) has also improved the availability of on-the-job training by spending Rs.4890 million (PIB, 2025).

In addition to curricular changes, the NEP-2020 remedies the absence of connection between the classroom learning and the market reality by introducing more rigour of industry-academia collaboration. To students, they offer real-life problem scenarios and exposure to the market. In the

case of institutions, they facilitate relevancy in the curriculum and faculty development. For industries, they supply a pipeline of intellectual and entrepreneurial-minded talent, having access to research capacity (Prabhu, 2024). This is why, over 16000 'Institution Innovation Councils' (IICs) and 106 'IDEA labs' across India are established under NEP-2020. In addition to that, 12 higher educational institutions are now driving industry-linked research and start-up incubation. These institutions offer marketspace-like facilities to pursue hands-on practical education to fill the long-standing gap between learning preparation and practice facilitation. In addition, the 'Smart India Hackathon' (SIH) – a national entrepreneurial problem-solving initiative, has reported the participation of over 1.3 million students. As the number of idea submissions has increased approximately seven times since its implementation, SIH has shown its strength in the process of building entrepreneurial skills (PIB, 2025). Full-scale studies, such as the 'Entrepreneurial Mindset Development Programme' in Andhra Pradesh that has reached out to more than 300 thousand students, indicate that structured entrepreneurial education has led to quantifiable improvements in agency and initiative as well as in career clarity (Amaral et al., 2024). Notably, the benefits are not limited to entrepreneurship intentions, as students pursuing entrepreneurial programmes indicate a 35 percent higher level of employability (Soam et al., 2023). Moreover, the improvement of India in the Global Innovation Index from 48th in 2020 to 39th in 2024 also shows how these institutional efforts establish a greater entrepreneurial culture, alongside the NEP-2020 (MoE, 2024a).

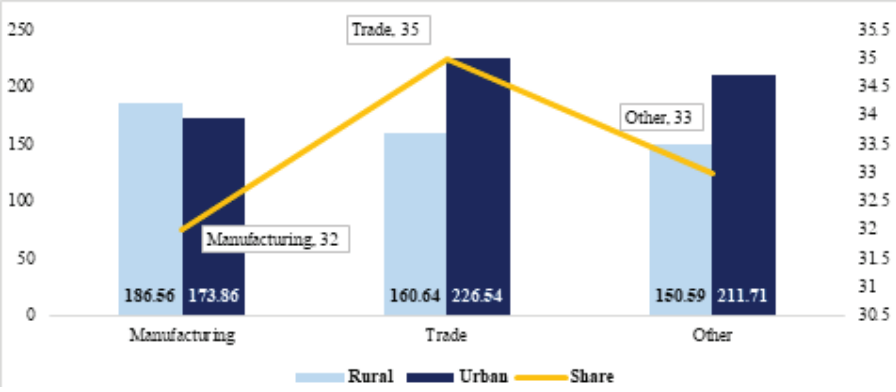
In this regard, we must note that the ambition of NEP-2020 in achieving entrepreneurship growth meets various constraints. Firstly, professional development of teachers is still disproportionate in the scale envisioned by the NEP-2020. Although platforms such as 'NISHTHA' are unequivocal with respect to high levels of participation, they fail to present the idea of transformative classroom practice in the pedagogies of entrepreneurship-relevant inquiry or community projects. Also, only 47 percent of schools in India impart skill training courses, which have enrolment rates as low as 29 percent. This highlights the supply dearth in awareness and access, resulting in a possible entrepreneurship gap that inhibits employability, which, otherwise, could have been created using experiential education and vocational training (Gohain, 2025). Further, the model of the 'Academic Credit Bank' under NEP-2020 is scaling, and the numbers on the 'Automated Permanent Academic Account Registry' (APAAR) have shown that it has generated over 250 million unique IDs. However, until credit banking applies to internships, apprenticeships, industry projects, and micro-credentials, benefits of the flexible mentality that shapes the mindset will be restrained (MoE, 2024b). Lastly, the entrepreneurial ecosystem that

NEP-2020 hopes to create is still facing resistance from the Indian parents, as the majority of them desire to have secure job opportunities by avoiding risk.

Entrepreneurial Capabilities and the MSME Landscape

The MSME sector in India was established in the year 2007 under the MSME Development (MSMED) Act, 2006. MSMEs are sources of inclusive growth, absorbing excess labour and promoting indigenous rural and urban innovation.

Figure 2: Employment distribution (in lakh) and share of MSMEs (in %) by sector



Source: Ministry of MSME (2023)

As of 2022-23, MSMEs in India have more than 1110 lakh workers, which encompasses 43 percent of total employees in the nation. The sector has generated a total of approximately 360 lakh jobs in the manufacturing industry, 388 lakh in the trade industry, and 362 lakh in other services, as seen in Figure-2. Moreover, although women currently constitute only 24 percent of the MSME workforce, depicting gender disparity, evidence suggests that enterprises led by women have shown higher employment intensity per unit of capital, higher profit, and better cost-effectiveness. This is consistent with the world picture too, as female-run businesses show a 15-20 percent rise in profitability and 21 percent higher productivity (Thomas et al., 2025). In this respect, greater involvement of women entrepreneurs enabled by the gender-sensitive efforts of NEP-2020 could magnify the job base of MSMEs. Here, Uttar Pradesh is already making progress with its 'Passport to Earning' entrepreneurial initiative by providing financial and digital literacy training to over 80 thousand females (Kumar & Thawaney, 2025).

Nevertheless, MSMEs encounter several challenges regardless of their potential. Initially, formal credit access continues to be one of the significant obstacles, as more than 50.7 million MSMEs are locked out of formal finance and have a credit gap totalling $530 billion (Choski, 2024). These gaps

are significantly larger in the case of the service sector (27 percent) and women-owned MSMEs (35 percent) (ET Government, 2025). Further, 81 percent of enterprises face the challenge of a skilled tech-labour shortage, which has negatively impacted their productivity (EY India, 2023). Such skill shortages also undermine the adoption of digitalisation, with only five percent of MSMEs having digital infrastructure in the nation (Financial Express, 2019).

But we should add that within an integrated empowerment nexus, where reforms under the NEP-2020 have the potential to transform cognitive capacities and entrepreneurial orientation, it is the MSME ecosystem that ultimately defines whether the capabilities are converted into productive enterprise formation, job creation, and economic growth. In this context, the government has also proposed the concept of the 'Triple Helix Model' which includes government, industry, and entrepreneurship education to promote innovation and growth through integrating technological skills, entrepreneurial education, and governmental policy (National Institute for MSME, 2024). Such education-MSME interfaces reduce entry barriers to enterprise creation by acquiring skills and institutional facilitation, which increases the participation of youth, women, and first-generation entrepreneurs. Moreover, the share of tech-based MSMEs is on the rise nowadays due to increased digital adoption in India's population base. With 60 percent of MSMEs already aiming to digitise their businesses by 2025-26, NEP-2020 could also play a role in this (Mohammed, 2025). The introduction of multidisciplinary and skill-oriented training pathways under NEP-2020, which aims to produce graduates with hybrid technical-managerial competencies, is a way forward in producing more tech-enabled entrepreneurs. This is already bearing fruits, as 60 percent of MSMEs are intending to digitalise their businesses by 2025-26.

Education-Entrepreneurship-Empowerment (EEE) Nexus: A Theoretical Framework

In general, the term 'empowerment' is used in studies typically without a definition. According to Agarwal (1996), "it is a process that enhances the ability of disadvantaged individuals or groups to challenge and change (in their favour) existing power relationships that place them in subordinate economic, social, and political positions." According to the World Bank (1997), empowerment is "the expansion of assets and capabilities of people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives." Later works have further developed this concept by emphasising the definition of empowerment as a multidimensional inclusive process that also entails access to opportunities, decision-making, resource control, and elimination of structures that restrict

human potential (Hanmer & Klugman, 2015; Singh & Singh, 2025). In this larger construct, economic empowerment is one of the key and quantifiable dimensions. Among definitions presented by the United Nations, economic empowerment is the right to equally participate in markets, access and control productive factors, secure quality employment, and actively contribute to the economic decision-making (UN Women, 2024). Recent research, such as the one by Reed et al. (2021) operationalised the concept of economic empowerment as multidimensional, and included education, employability, income security, entrepreneurship, social mobility, and institutional inclusion. Based on these conceptualisations, we develop our Education-Entrepreneurship-Empowerment (EEE) model, which assumes that economic empowerment acts in a dynamic, multi-layered system. Let us discuss the theoretical underpinnings of our model framework.

Human Capital Theory and Cognitive Development

Human capital theory takes education, experience, and skill development as some of the key sources of productivity, employability, and lifetime earnings. According to Sinha (2024), sustained economic growth and income convergence are highly correlated with the continuous growth of the quality of human capital. Nevertheless, the history of the pre-reform education system in India officially focused on the accretion of credentials instead of talent or capability enhancement, which led to a high rate of graduate unemployment and continuous skill deficiencies (Kumar, 2025). In this regard, our EEE model has integrated the understanding that the empowerment potential of education lies not only in quantity (in years of studying) but in quality of transformation. That is, it depends on the cultivation of entrepreneurial cognition through experiential learning, multidisciplinary exposure and the development of iterative capabilities. The NEP-2020 attempts to address this by ensuring the repositioning of education as a system of building capabilities and not a system of credentialing. It has put forward experiential learning, multidisciplinary curricula, vocational integration, flexibility of academic pathways, and entrepreneurship education as the fundamental ideals of pedagogy (MHRD, 2021). According to empirical evidence, after the introduction of NEP-2020, the proportion of individuals enrolling in innovation-oriented programmes has grown by about 30 percent, and over 78 percent of students express their entrepreneurial intentions (Soam et al., 2023). As a matter of fact, there is a 40 percent increase in the number of startups founded by young entrepreneurs since the implementation of the NEP-2020 (Sehar, 2025). This shows that the cognitive transformation layer of the EEE model is already under progress, and is generating quantifiable shifts in the entrepreneurial orientation by fostering human capital as a catalyst of economic empowerment.

Entrepreneurship Theory and Schumpeterian Innovation

Although human capital is the source of empowerment, the theory of entrepreneurship, specifically the idea of 'creative destruction' by Schumpeter (2021), emphasises how entrepreneurs can bring innovation by disrupting the current market equilibrium through the means of necessary structural changes. The contemporary empirical evidence shows that there is a positive correlation between entrepreneurship, employment, productivity growth, and regional development (Van Praag & Versloot, 2007; Fritsch & Wyrwich, 2016). Our model of EEE uses this understanding by no longer considering entrepreneurship as an individual trait, but as an institutionally mediated capacity, requiring both cognitive underpinnings (through education) and ecosystem support (through universities, incubators, and mentor networks). In this connexion, education-based entrepreneurship further boosts opportunity recognition, risk-taking ability, and implementation competency, which are crucial for enterprises formation (Murad et al., 2024). It does so by advancing the development of entrepreneurial knowledge and skills among students. In fact, courses on entrepreneurship encourage and help students launch their enterprises by offering financial and business assistance as well as by ensuring a creative environment (Jena, 2020).

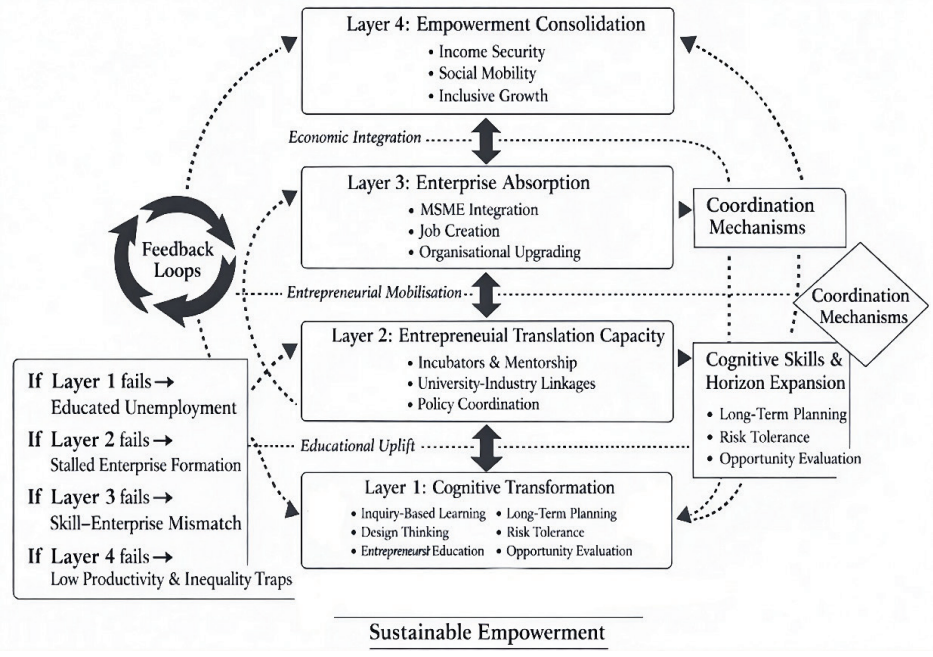
Institutional Economics and the Enterprise Absorption Constraint

Although education and entrepreneurship are the supply sides of empowerment, a demand-side bottleneck, viz. the ability of enterprise to absorb growing stocks of human capital, is often overlooked. Based on the institutional approach of North (1990), our EEE model proposes that to achieve economic empowerment, there should be a match between the growth of human capabilities and the growth of enterprises. This is where MSMEs become decisive because the entrepreneurial capability alone would never be able to create an overall economic growth without a facilitating enterprise structure. In India, the role of MSMEs goes far beyond the employment creation. Ghani et al. (2013) have demonstrated how MSMEs can act as training platforms for employees who could later become entrepreneurs as part of a virtuous cycle of entrepreneurship and job creation. Additionally, in a growing economy such as India, every single direct job created by an MSME will create three to five additional indirect jobs, which could amplify their contribution to income distribution and social stability (Danso, 2024). That is why there have been immense interests among policymakers to promote entrepreneurial education. This process is institutionalised by the NEP-2020 through the establishment of large-scale Institutional Innovation Councils, IDEA laboratories, university incubators, and national innovation competitions, which bridges the gap between learning and enterprise formation.

Operationalising the Education-Entrepreneurship-Empowerment (EEE) Model

Based on our conceptual framework, we can evaluate the strengths of the NEP-2020 in terms of enhancing the supply-side of the entrepreneurial growth by influencing the cognitive, technical, and behavioural capability. To complement this supply-side, we have MSMEs that constitute the demand-side infrastructure, which has the potential to transform capabilities into productive growth. Hence, when these two systems are strategically aligned, they can give rise to the self-reinforcing cycle of innovation, enterprise formation, job creation, and empowerment, particularly for the youth population in India. But neither system can realise its full potential independently. Therefore, our EEE model has a unified analytical framework that captures the full development sequence from learning to livelihoods. It conceptualises empowerment as an emerging aspect of a multi-layered system, where cognitive transformation, translation and institutional conversion, absorption capacity, and empowerment consolidation are interacting in path-dependent and accretional ways. Our model contrasts with the linear models of development, as it acknowledges the functioning of feedback loops through which one layer reinforces capacity in the others, and obstacles in any layer may lead to development traps, affecting the entire system.

Figure 3: Operational Structure of the EEE Model



Source: Author's construction

Layer 1: Cognitive Transformation

The foundation of the EEE model is the cognitive transformation. It is the process, whereby education does not just change the stocks of skills but also decision-making horizons, risk perception, and evaluation of opportunities (Cherukunnath & Singh, 2022). Research shows that education alters preferences, and broadens tolerance to ambiguity and the extent of planning potential, which are fundamental pre-conditions of entrepreneurial growth (Capolla, 2024). The NEP-2020 brings together this change by introducing inquiry-based learning, design thinking, and iterative experimentation in formal education. These pedagogical transformations reorganise the way people perceive economic opportunities and the ways they assess the business directions. Empirical evidence shows that problem-based learning and early entrepreneurial education exposure boost new venture creation across the globe (Bergmann et al., 2016). Therefore, the educational reform under the NEP-2020 acts in our model as a cognitive order of development, without which enterprise interventions are expected to yield progressively lower returns.

Layer 2: Entrepreneurial Translation Capacity through Institutional Conversion

The second layer of the model introduces entrepreneurial translation capacity. There exists a positive relationship between entrepreneurial capacity and innovation (Karan et al., 2024). Nonetheless, to convert cognitively developed entrepreneurial intention into the formation of an enterprise, adequate institutional funding, training, and a supportive environment that minimises the costs of coordination, uncertainty, and access to tacit knowledge networks are needed (Zatini & Della Porta, 2025). We, thus, take universities, innovation councils, incubators, and accelerator platforms as bridging institutions of conversion. Recent evidence indicates that a better university-industry collaborative network with sufficient investment in R&D generates higher rates of innovation-led employment growth (Kopczynska & Ferreira, 2021). This also resonates with the institutional theory presented by North (1990), which asserts that the quality of institutions is what defines whether human capital is productive or not. In this context, the innovative councils (IICs and IDEA laboratories), industry-affiliated universities, mentorship networks, and problem-solving entrepreneurship programmes, such as SIH, play a vital role. They accomplish this by cognitively equipping students with practical knowledge, networking, and resources they require to execute their entrepreneurial activities.

On one hand, India's higher educational system consists of more than 1100 universities and over 44000 colleges; and on the other, the nation

has over 57.7 million registered MSMEs (Ministry of MSME, 2025). These systems currently work independently, with little coordination among educational institutions, MSME clusters, and district-level industrial policy. Our EEE model recommends creating District-level Education Enterprise Councils (DEC) that are managed together by State Higher Education Departments, MSME Directorates, and District Industries Centres. They would have the mandate to harmonise academic curricula, incubation pipelines and MSME cluster strategies in the economic structure of each district. For instance, in industrial areas like Tiruppur (textiles), Moradabad (brassware), Rajkot (engineering), and Guwahati (tea and agro-processing), higher educational institutions should be formally included in cluster management. The students of these institutions should be given complete compulsory enterprise residencies, so that the regional MSMEs can develop human capital by tapping their entrepreneurial capacities. To this end, based on the policy implementation frameworks proposed by UNCTAD (2012), DECs should include clear mechanisms of defending against both bureaucratic capture and coordination failure. Besides this, DECs can exercise a top-down strategy by imposing a private sector representation and ensuring MSME associations have veto power in curriculum decisions.

Layer 3: Enterprise Absorption Capacity

Although Layers 1 and 2 focus on the supply component, the EEE model on the demand-side poses a severe constraint, viz., the ability of the MSME segments to absorb the growing stocks of human capital. Economies where skills are being formed at rapid rates need to have enterprise structures that scale alongside this to prevent educated unemployment and social chaos (World Bank, 2025). Therefore, this third layer represents the MSME sector as a stabilising institution that converts expanding human capital stocks into productive economic activity. Criscuolo et al. (2014) identify that employment growth is driven disproportionately by young and expanding firms rather than by loss-making old firms. In India, therefore, young and emerging MSMEs are the key platform through which NEP-2020 graduates would be absorbed into the labour market.

But the absorption capacity of MSMEs is not only related to enterprises' growth but also organisational maturity. However, not all Indian MSMEs have formal accounting, organised HR, and technology infrastructure, without which they cannot effectively hire educated, inter-disciplinary, technologically competent graduates (World Bank, 2023). Our EEE model, thus, hypothesises that the process of enterprise absorption takes place not by the passive expansion of MSMEs, but by the purposeful education-MSME integration frameworks. In this regard, mandatory 6-12-month placements

of NEP-2020 graduates could be given within their district MSMEs. Such residence placements, unlike traditional internships, would focus on the transmission of tacit knowledge on how MSME owners operate without formal contracts, how informal credit relations are established, how supply chain processes function, and how inter-firm networks operate. Parallel support needs to be provided to MSMEs for organisational strengthening, management training, financial systems development, and technology adoption. This would enable them to effectively deploy educated human capital. According to our EEE model, such an absorption layer should be rolled out first in those states, where youth unemployment is high. For example, in Uttar Pradesh, Bihar, Jharkhand, Odisha, Assam, and Madhya Pradesh, where informality is prevalent even after having a strong MSME base because of its little connexion to human capital growth (Ministry of MSME, 2025).

Layer 4: Empowerment Consolidation

Layer 4 of the EEE model conceptualises empowerment consolidation. This phase converts employment payoffs into long-term economic empowerment. Each time NEP graduate students come into the working population with skills in problem-solving, experience learning, and digital literacy, they do not merely secure employment; they become agents of business scaling and productivity. This is due to the fact that MSMEs, which receive access to workers with enhanced human capital and entrepreneurial orientation, are more likely to gain in terms of both innovation and operational efficiency, directly influencing their absorptive capacity to scale operations (Yulianti et al., 2025). This scaling builds upon the concept of the 'Entrepreneurial Spawning Effect.' This effect postulates that people who work in entrepreneurial enterprises tend to start their own businesses because of their exposure to high-risk, high-reward environments, as it creates a much-tighter feedback loop of innovation, employment, and empowerment (Garrett et al., 2017). More importantly, this potential of generating employment translates income into economic empowerment in cases where MSMEs adopt formal systems of accounting, HR management, and technology adoption that is better operationalised through educated NEP graduates with entrepreneurial capabilities. To be precise, empowerment in this tier implies an increase in the number of choices, such as improved job satisfaction, reduced exposure to income shocks, increased investment on hands-on education, and engagement in economic decision-making, where transformative education plays a crucial role (Babacan, 2020; Gupta & Roy, 2022).

One of the major aspects of this layer is its emphasis on the dynamics of distribution. It acknowledges that there are differences in the process of

empowerment, which depend on gender, caste, religion and first-generation level. Indian evidence indicates that the level of intergenerational mobility differs significantly across social groups despite the rapid growth. There have been positive gains in some historically disadvantaged groups, but other groups, such as Muslim communities, have stagnated or shown worsening educational and occupational mobility (Asher et al., 2024). This shows that simply improving cognitive skills cannot change deep-rooted institutional exclusion. Similarly, women could demonstrate high skills but lack confidence in entrepreneurship and access to finance and networks. This translates to a low female ownership of enterprises despite the fact that female-run ventures tend to perform better (Nayak & Nayak, 2025). Accordingly, the EEE framework proposes to establish equity-driven strategies, including aiming at supporting women SC/ST entrepreneurs, securing anti-discriminatory leverage in supply chains and credit, and ensuring that marginal voices are heard.

To conclude, the whole model is a guidance mechanism, where NEP-2020 restructures aspirations and cognition, intermediate institutions convert aspirations into enterprise generation, MSMEs expand entrepreneurship, employment stabilises households and enhances the dynamics of institutions – all of which resulting empowerment. Failure in any layer of this system may form growth traps. For instance, increasing education without connecting it with enterprise may result in educated unemployment. Supporting enterprises without improving cognitive skills results in low-productivity firms. Growth in jobs without including institutions leads to weak gains (Branca et al., 2025). To sum up, the model indicates that empowerment policy must be integrated rather than divided.

Conclusion

To sum up, our study suggests that India cannot effectively address long-term developmental issues simply by focusing either on education or enterprise. The approach requires coordination, which connects the two systems. With NEP-2020 shaping as an agent of cognitive and capability transformation and the MSME sector as the primary means to absorb the transformed human capital, our recommended EEE model provides a comprehensive explanation of how educational reform may be mapped into future economic empowerment. The EEE framework views empowerment as a multi-layered system operating in a virtuous cycle. This process includes the improvement of cognitive ability, institutional transformation, enterprise absorption, and consolidating the benefits. Mismatch of these factors can lead to skilled unemployment and low-productivity informality. Thus, our suggested approach involves a coordinated implementation design for DECs, applied mentorship initiatives aimed especially for NEP

graduates, and a credit pipeline between education and enterprise. This pipeline is expected to compensate states based on the achievements made in linking graduates with businesses, gender-based entrepreneurship, and greater inter-generational mobility.

Moving forward, India can enhance the influence of NEP-2020 on entrepreneurship with reference to both international experience and the framework of EEE. As an example, the national curriculum of Finland offers the study of entrepreneurship as an essential element of learning in all levels of schooling with an emphasis on creativity and risk-taking. Similarly, in Israel, their accelerators-industry partnerships model, sponsored by universities have been critical in the formation of a startup ecosystem, with universities directly facilitating venture formation. India could adopt similar approaches by making entrepreneurial skills a part of the curriculum instead of offering them as optional courses. It would also be useful to scale campus-based incubators into regional hubs where education, industry and policy stakeholders would be brought together. Another way of narrowing the divide is the strengthening of teachers' training in entrepreneurial techniques of teaching and promotion of micro-credentialing in skills pertinent to MSMEs. In addition, entrepreneurial education, combined with new technologies in the MSME sector, such as AI and machine learning, could foster leadership and digital innovation opportunities. To sum up, the long-run productivity of India will be determined by the effectiveness of the alignment of its educational system, enterprise ecosystem, and policymaking institutions into one construct of empowerment.

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